

Message Text

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ORIGIN TRSE-00

INFO OCT-01 NEA-10 EB-07 ISO-00 PA-01 PRS-01 USIA-06 /026 R

DRAFTED BY TREAS HMCFADDEN

APPROVED BY NEA/ARPFMDICKMAN

TREAS:BPOUNDS

TREAS:LBOWDEN

TREAS:CBAZARIAN

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P 142313Z APR 76

FM SECSTATE WASHDC

TO AMEMBASSY JIDDA PRIORITY

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E.O. 11652:N/A

TAGS: EFIN, ECRE, SA, US

SUBJECT:SURETY BONDS VS. PERFORMANCE GUARANTEE TEAM VISIT

REF: JIDDA 2503

1. TREASURY IS FULLY IN ACCORD THAT SURETY BOND QUESTIONS SHOULD BE DEALT WITH IN LOW KEY MANNER. HOWEVER, THE PROBLEM IS AND HAS BEEN FOR MANY MONTHS OF ENORMOUS INTEREST TO THE U.S. BUSINESS COMMUNITY AND IT IS IMPOSSIBLE TO PREVENT NEWSPAPERS AND TRADE JOURNALS FROM PRINTING ARTICLES ON THIS SUBJECT. THIS SUBJECT HAS BEEN UNDER ACTIVE DISCUSSION BY PRIVATE INDUSTRY FOR AT LEAST A YEAR AND ARTICLES APPEARED ON IT WELL BEFORE THE FEBRUARY TRIP TO THE MIDDLE EAST. GIVEN THE STRONG POSSIBILITY THAT PRESS STORIES WILL NOT ACCURATELY REFLECT THE COMPLEXITIES OF THIS MATTER, COMMENTS BY USG SPOKESMEN CAN BE USEFUL IN PLACING MATTERS IN THE PROPER CONTEXT. ALSO, THIS SUBJECT HAS BEEN AND WILL CONTINUE TO BE A MAJOR ISSUE AT THE ANNUAL CONVENTIONS OF SUCH INDUSTRY GROUPS AS THE AGC, NCA, AND SURETY BOND PRODUCERS. THE EMBASSY

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WILL CERTAINLY RECALL THAT THE PRIVATE SECTOR WAS VERY

MUCH INVOLVED IN THE TEAM'S ACTIVITIES.

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2. THE REASON THAT THE USG TOOK THE LEAD INITIALLY WAS THAT THE CONSTRUCTION INDUSTRY INTENDED TO GO OUT INDEPENDENTLY AND WE FEARED THEY WOULD NOT BE SUFFICIENTLY AWARE OF SAG SENSITIVITIES ON THIS MATTER.

3. WHENEVER THIS ISSUE HAS BEEN DISCUSSED OR ARTICLES PRINTED ON THIS SUBJECT, TREASURY OFFICIALS HAVE MAINTAINED THAT MUCH MORE INFORMATION MUST BE PROVIDED BEFORE THE SAG WOULD BE WILLING TO CONSIDER A DECISION ON THIS ALTERNATIVE AND HAVE GENERALLY PLAYED THIS "SOTTO VOCE."

4. WITH REGARD TO SPECIFIC QUESTION ON THE AMERICAN ARAB ASSOCIATION BULLETIN, DEPT HAS DISCUSSED MATTER WITH TREASURY'S OFFICE OF SAUDI ARABIAN AFFAIRS. PUBLICATION OF TEXT OF TRIP REPORT WAS UNAUTHORIZED AND WAS CONTRARY TO EXPLICIT INSTRUCTIONS GIVEN BY TREASURY TO REPRESENTATIVE OF ARAB-AMERICAN ASSOCIATION WHEN COPY OF REPORT WAS PRESENTED ON BACKGROUND BASIS. BOTH TREASURY AND STATE HAVE BEEN IN TOUCH WITH ROBERT BARNES, PRESIDENT OF THE ASSOCIATION WHO SAYS THERE APPEARS HAVE BEEN MISUNDERSTANDING AND REGRETS BACKGROUND PAPER PUBLISHED. KISSINGER

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